

Internal Revenue Service (I.R.S.)

Private Letter Ruling

Issue: July 22, 1994  
April 21, 1994

Section 61 -- Gross Income v. Not Gross Income  
61.00-00 Gross Income v. Not Gross Income  
61.32-00 Indians

CC: DOM: IT&A: 3 / TR-31-813-93

Legend

X = \*\*\*

Y = \*\*\*

Dear \*\*\*

This is in response to the March 26, 1993, request of X for a ruling that income earned by X from activities conducted within the boundaries of land held in trust by the United States for certain Indian tribes is not subject to federal income tax.

X is a corporation incorporated under the law of the state of Y. X is owned by several Indian tribes, each of which is a federally recognized Indian tribe. X sells at wholesale and retail Indian arts, crafts, and products, and non-Indian products, operates a restaurant, and manages tour guide services. These activities occur both inside and outside the boundaries of land held in trust by the United States for the Indian tribes that own X.

[Revenue Ruling 94-16, 1994-12 I.R.B. 4](#), holds that a corporation organized by an Indian tribe under state law is subject to federal income tax on income earned in the conduct of commercial business on and off the tribe's reservation. The revenue ruling does not apply to income earned by a corporation organized under state law from activities conducted on the reservation before October 1, 1994.

In [Oklahoma Tax Commission v. Citizen Band Potawatomi Indian Tribe of Oklahoma, 498 U.S. 505 \(1991\)](#), the Supreme Court concluded that the term "reservation" includes land held in trust for the tribe by the United States for purposes of a tribe's sovereign immunity from suit by the state for failure to collect state sales tax. Likewise, for purposes of the federal income tax, the term "reservation" as used in [Rev. Rul. 94-16](#) should not be limited to tribal lands formally designated as the reservation, but should be read to include all land validly set apart for the use of the tribe and under the supervision of the United States.

Therefore, any income earned before October 1, 1994, by X from activities conducted within the boundaries of the land held in trust by the United States for the Indian tribes will not be subject to federal income tax. However, any income earned on or after October 1, 1994, by X from activities conducted on the land held in trust by the United States for the Indian tribes will be subject to federal income tax.

No opinion is expressed concerning the federal tax treatment of the entity under any other provisions of the Internal Revenue Code.

A copy of this ruling should be attached to the taxpayer's federal income tax returns for the tax years affected.

This ruling is directed only to the taxpayer that requested it. [Section 6110\(j\)\(3\) of the Internal Revenue Code](#) provides that it may not be used or cited as precedent.

Sincerely,

Assistant Chief Counsel  
(Income Tax & Accounting)  
By: Karin G. Gross  
Senior Technician Reviewer, Branch 3

This document may not be used or cited as precedent. [Section 6110\(j\)\(3\) of the Internal Revenue Code](#).

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